

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

| EXECUTIVE SUMMARY | | | |
|--|---|--|----------------------------|
| Applicant: | Orange County Performing Arts Center doing business as Segerstrom Center for the Arts (Center or Borrower) | Amount Requested: | Not to exceed \$64,000,000 |
| Applicant Description: | A nonprofit public benefit corporation organized for the purpose of promoting and developing an interest in and appreciation for arts and music. | Date of Board Meeting: | March 1, 2011 |
| | | Type of Issue: | Refunding |
| | | Resolution Number: | 11-03 |
| Project Site: | 600 Town Center Drive Costa Mesa, CA 92626 | Prepared by: Elizabeth Hess and Tara Dunn | |
| Project Description: | The project (Project) involves refinancing the outstanding California Infrastructure and Economic Development Bank Variable Rate Demand Bonds, Series 2008C (2008C Bonds) the proceeds of which were used to finance a portion of the construction, equipping and furnishing of improvements to the Orange County Performing Arts Center, and may be used to establish a debt service reserve fund. | | |
| Uses of Bond Proceeds: | Bond proceeds (2011 Bonds) will be used to pay the costs of the Project and pay for costs of issuance. Bond proceeds may be used to fund a debt service reserve fund. | | |
| Public Benefits: | The Project is expected to save the Center between \$15,000 and \$60,000 a month in cash flow thereby reducing the borrowing costs and financial risks inherent in the existing structure of the 2008C Bonds. As a result, the additional funds will be invested in the Center's programs permitting the Borrower to continue to provide cultural enrichment to the community. | | |
| Financing Structure: | | | |
| Type of Issue: | | Publicly-offered fixed rate securities issued in minimum denominations of \$5,000 or any integral multiple of \$1,000 in excess thereof. | |
| Tax Status: | | Tax-exempt 501(c)(3) bonds. | |
| Term: | | 5 to 10 years. | |
| Credit Rating: | | Expected to be at least "A-" by Standard & Poor's based upon the credit of the Center. | |
| Est. Sources of Funds: | | Est. Uses of Funds: | |
| Bond Proceeds Par Amount | \$64,000,000 | Refund 2008C Bonds | \$56,550,000 |
| Discount Bonds | (450,000) | Debt Service Reserve Fund* | 6,400,000 |
| | | Costs of Issuance | 350,000 |
| | | Underwriter's Discount | 250,000 |
| TOTAL SOURCES | \$63,550,000 | TOTAL USES | \$63,550,000 |
| <i>* A Debt Service Reserve Fund (DSRF) is currently included as a possible use of bond proceeds, however if it is determined that a DSRF is not required, the bond issuance amount will be downsized accordingly.</i> | | | |
| Financing Team: | | | |
| Bond Counsel: | Stradling, Yocca, Carlson & Rauth | | |
| Underwriters: | Wells Fargo Securities and Bank of America Merrill Lynch | | |
| Underwriter's Counsel: | Orrick, Herrington & Sutcliffe | | |
| Trustee: | Union Bank, N. A. | | |
| Staff Recommendation: | | | |
| Staff recommends approval of Resolution 11-03 for an amount not to exceed \$64,000,000 for Orange County Performing Arts Center doing business as Segerstrom Center for the Arts. | | | |

ISSUE

The Orange County Performing Arts Center requests to refinance outstanding California Infrastructure and Economic Development Bank Variable Rate Demand Bonds, Series 2008C (2008C Bonds) and issue new fixed rate bonds (2011 Bonds) for an amount not to exceed \$64,000,000. The purpose of the refinancing is to mitigate the interest rate risk of the 2008C Bonds due to the recent credit rating downgrade of Allied Irish Banks, p.l.c., the letter of credit provider for the 2008C Bonds.

BACKGROUND AND HISTORY

Orange County Performing Arts Center doing business as Segerstrom Center for the Arts (Center or Borrower) is a qualified 501(c)(3) non-profit corporation formed for the purpose of promoting and developing an interest in and appreciation for arts and music. A list of the current Corporate Officers, Executive Committee members and Directors is provided in Attachment A.

On July 8, 2004, the I-Bank issued three series of bonds (2004 Bonds) totaling \$180,000,000 as variable rate revenue bonds secured by bond insurance. The proceeds of the 2004 Bonds were used to finance and refinance the construction, equipping and furnishing of the Center's cultural facilities, consisting of the Reneé and Henry Segerstrom Concert Hall, the Samueli Theater, an education center, a public restaurant, a private donor room, rehearsal spaces, artist accommodations, and related and appurtenant facilities located at 615 Town Center Drive, Costa Mesa; to fund a debt service reserve fund; fund capitalized interest; and to pay issuance costs of the 2004 Bonds. The 2004 Bonds were marketed as auction rate securities secured by bond insurance provided by Financial Guaranty Insurance Company (FGIC).

On March 26, 2007, the I-Bank issued two series of bonds (2007 Bonds) totaling \$85,000,000 as variable rate revenue bonds secured by bond insurance to reimburse the Center for additional costs related to the facilities financed in 2004, finance the construction of a pedestrian plaza (collectively, the "Facilities"), and to pay issuance costs of the 2007 Bonds. The 2007 Bonds were marketed as auction rate securities secured by bond insurance provided by FGIC. Construction of the Facilities was completed in March 2007.

In early 2008, due to events in the sub-prime mortgage market which caused the collapse of the auction rate market, and credit rating downgrades of FGIC, the Center experienced interest rate resets as high as 7.5% on the 2004 and 2007 Bonds. On July 2, 2008, the I-Bank issued its Variable Rate Revenue Bonds, Series 2008A, Series 2008B and Series 2008C (together, the 2008 Bonds) totaling \$240,000,000 to refund the 2004 and 2007 Bonds, and to pay issuance costs of the 2008 Bonds. The 2008 Bonds together with \$25 million in debt service reserve funds held for the 2004 Bonds and the 2007 Bonds, refunded the 2004 and 2007 Bonds in their entirety. Each series of 2008 Bonds is secured by a letter of credit and each letter of credit is provided by a different bank. The Staff Report dated June 24, 2008, is attached for a more complete description of the transaction and financing structure (see Attachment B).

The Series 2008A Bonds and Series 2008B Bonds are currently outstanding in the aggregate amount of \$169,670,000. The Series 2008C Bonds are outstanding in the amount of \$56,550,000.

PROJECT DESCRIPTION

The project (Project) involves refinancing the outstanding 2008C Bonds, the proceeds of which were used to refinance a portion of the construction, equipping and furnishing of the Facilities, and to establish a debt service reserve fund.

The 2008C Bonds are secured by a letter of credit provided by Allied Irish Banks, p.l.c. (AIB) whose credit rating for long term debt has recently been downgraded to “BB” by Standard & Poor’s. As a result of the recent AIB downgrade, the Center has experienced increased debt costs associated with the 2008C Bonds. The refunding of the 2008C Bonds is expected to reduce the Center’s variable rate exposure, and mitigate the effect of the interest rate risk resulting from the AIB letter of credit. Based on the current par amount of the 2008C Bonds outstanding, monthly debt service savings are estimated to be between \$15,000 to \$60,000.

The Series 2008A Bonds and Series 2008B Bonds will remain outstanding.

FINANCING STRUCTURE

The Center requests the refunding of the outstanding 2008C Bonds and the issuance of the fixed rate 2011 Bonds, in an amount not to exceed \$64,000,000. The 2011 Bonds will be issued pursuant to an indenture between the I-Bank and Union Bank, N.A., as Trustee (Indenture), and a loan of the proceeds of the 2011 Bonds will be made through a loan agreement between the I-Bank and the Center (Loan Agreement). The 2011 Bonds are expected to be rated at least “A-” by Standard & Poor’s based solely on the financial strength of the Center.

In no event shall the 2011 Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2011 Bonds. The 2011 Bonds constitute a special obligation of the I-Bank, payable solely from revenues consisting primarily of repayments of the loan provided for in the Loan Agreement.

PUBLIC BENEFITS

The Project is expected to save the Center between \$15,000 and \$60,000 a month in cash flow thereby reducing the borrowing costs and financial risks inherent in the existing structure of the 2008C Bonds. As a result, the additional funds will be invested in the programs of the Center, permitting the Borrower to continue to provide cultural enrichment to the community.

OTHER PROJECT DATA

Under the Loan Agreement, the Center will pledge its Gross Revenues to the I-Bank, which will in turn assign that pledge to the Trustee for the 2011 Bonds. The Center's pledge will be on parity with its pledge of Gross Revenues to the letter of credit banks securing the Series 2008A Bonds and Series 2008B Bonds. The intercreditor arrangement between the Trustee for the 2011 Bonds and the letter of credit banks securing the Series 2008A Bonds and Series 2008B Bonds will contain sufficient flexibility to permit the amendment or refunding of the 2011 Bonds, the Series 2008A Bonds or the Series 2008B Bonds. The Center has disclosed this parity pledge of its Gross Revenues to the I-Bank, and will disclose it to potential investors in the official statement issued in relation to the marketing of the 2011 Bonds.

The Center has also disclosed and will disclose to potential investors that it is operating at a cash flow deficit, but that it has over \$230 million in net assets. I-Bank staff has been advised by the Center that \$105 million of its net assets are liquid unrestricted assets available to make loan payments.

| PERMITS AND APPROVAL | |
|---|--|
| Required? | <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Describe: |
| TEFRA | |
| Date of TEFRA | Friday, February 25, 2011 |
| Publications | <i>Sacramento Bee</i> <i>Orange County Register</i> |
| Oral/Written Comments Received | <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain: |
| LEGAL QUESTIONNAIRE | |
| Completed? | <input type="checkbox"/> NO <input checked="" type="checkbox"/> YES |
| Issues? | <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain: |
| ELIGIBILITY REVIEW | |
| Project meets Public Interest Criteria (per G.C. § 63046 and 63047(d)) <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | <ol style="list-style-type: none"> 1. Project is for a use in the State of California. 2. Borrower is capable of meeting the obligations incurred under the proposed loan agreement and tax agreement and, in particular as to its loan repayment obligations which secure the 2011 Bonds as a result of having met the requirements for a rating of at least A- on the 2011 Bonds, based on the financial strength of the Borrower to make loan repayments that will be used by the Borrower to pay the principal and interest on the 2011 Bonds.¹ 3. Payments to be made by the Borrower to the I-Bank under the proposed financing agreements are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the scheduled payments. 4. The proposed financing is appropriate for the Project. 5. Borrower has represented that the Facilities are consistent with any existing local or regional comprehensive plans. |
| The Project meets the Policies and Procedures for Conduit Revenue Bond Financing for Economic Development Facilities established as guidelines for I-Bank Staff by the Board: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | |
| INDUCEMENT CERTIFICATE | |
| Completed? | <input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date: |

¹ The final anticipated rating has not been received as of the date of this report. For that reason, the Resolution conditions the issuance of the 2011 Bonds on the receipt of an initial rating on the Bonds of at least (a) "A-" from S&P or Fitch Ratings or (b) "A3" from Moody's Investors Service, in each case based solely on the credit of the Center.

RECOMMENDATION

Staff recommends approval of Resolution 11-03 for an amount not to exceed \$64,000,000 for Orange County Performing Arts Center doing business as Segerstrom Center for the Arts.

ATTACHMENT A - GOVERNANCE AND MANAGEMENT

The Center is managed by four Corporate Officers and governed by seventeen Executive Committee members and twenty-four Directors.

| Corporate Officers | |
|----------------------------|---|
| Terrence W. Dwyer | President |
| Brian L. Finck | Chief Financial Officer |
| Judith O'Dea Morr | Executive Vice President – Programming |
| Sara Fousekis | Acting Vice President of Development |
| Todd Bentjen | Vice President of Marketing and Communications |
| Ellery Brown | Vice President of Theater Operations and Facilities |
| Executive Committee | |
| Larry Higby | Chairman |
| Terrence W. Dwyer | President |
| Thomas E. Larkin, Jr. | Treasurer; Vice Chair, Finance & Investment |
| Vacant | Secretary; Co-Chair, Board Development |
| Anthony A. Allen | Vice Chair, Facilities |
| Marta S. Bathal | Co-Chair, Center Fund |
| Sally S. Crockett | Co-Chair, Board Development |
| Sandra Segerstrom Daniels | Vice Chair, Support Groups |
| James A. Driscoll | Co-Chair, Long Range Planning |
| Steven T. Fry | Co-Chair, Center Fund |
| John C. Garrett | Co-Chair, Long Range Planning |
| Michael S. Gordon | Vice Chair, Executive Personnel |
| David H. Troob | Vice Chair, Resident Companies |
| Carol L. Wilken | Vice Chair, Education |
| Joan F. Beall | Member at Large |
| John R. Evans | Member at Large |
| Roger Kirwan | Member at Large |
| General William Lyon | Member at Large |
| Thomas K. McKernan | Member at Large |
| Rick Muth | Member at Large |
| Patricia L. Poss | Member at Large |
| Henry T. Segerstrom | Founding Chairman, Member at Large |
| Board of Directors | |
| Wylie A. Aitken | Eve Kornyei |
| Zelma M. Allred | Anthony Mathews |
| Julia Argyros | David G. Moore |
| David E. Blackford | Norman Morales |
| Deborah Bridges | Mark P. Robinson, Jr. |
| Michael V. Drake, M.D. | David J. Schramm |
| Benjamin R. Du | Glenn Stearns |
| John L. Ginger | Sutton Stracke |
| John Hamilton, Jr. | Timothy L. Strader |
| Lynette M. Hayde | Thomas Tucker |
| Michael Joseph | Jane Fujishige Yada |
| Parker S. Kennedy | |

ATTACHMENT B - Staff Report from the June 24, 2008 Board

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank) 501(c)(3) REVENUE BOND FINANCING PROGRAM

STAFF REPORT

EXECUTIVE SUMMARY

| | | | |
|-------------------------------|--|-------------------------------|------------------------------|
| Applicant: | Orange County Performing Arts Center (OCPAC) | Amount Requested: | Not to exceed \$250,000,000 |
| Applicant Description: | A nonprofit public benefit corporation organized for the purpose of promoting and developing an interest in and appreciation for arts and music. | Date of Board Meeting: | June 24, 2008 |
| | | Resolution Number: | 08-19 |
| | | Type of Bonds: | Refunding |
| Project Site: | 615 Town Center Drive, Costa Mesa, CA 92626 | Prepared by: | Andrea Kennedy and Tara Dunn |
| Project Description: | The I-Bank previously issued bonds in 2004 and 2007 to finance the construction, equipping and furnishing of improvements to the Orange County Performing Arts Center consisting of: the Renée and Henry Segerstrom Concert Hall, with a capacity of approximately 2,000 seats; the Samueli Theater, with a capacity of approximately 500 seats; an education center; a public restaurant; a private donor room; rehearsal spaces; artist accommodations; a pedestrian plaza; and related and appurtenant facilities (Project). The Project was completed in March 2007. | | |
| Uses of Bond Proceeds: | Bond Proceeds (2008 Bonds) will be used to: refund the outstanding I-Bank Variable Rate Revenue Bonds, Series 2004A, 2004B and 2004C (2004 Bonds); refund the outstanding I-Bank Variable Rate Revenue Bonds Series 2007A and 2007B (2007 Bonds); and, pay costs of issuance. | | |
| Public Benefits: | The addition of the 2,000-seat Renée and Henry Segerstrom Concert Hall and the 500-seat Samueli Theatre will create an arts complex of international significance that will serve the citizens of Orange County and southern California with a venue for artistic performances for generations. As a result of Project completion, OCPAC estimates that its education programs will be able to reach an additional 650,000 young people annually in seven California counties. | | |

Financing Structure:

| | |
|----------------------------|--|
| Type of Issue: | Publicly-offered daily and weekly variable-rate demand revenue bonds issued in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. |
| Tax Status: | Tax-exempt 501(c)(3) bonds. |
| Term: | 26 years. |
| Credit Enhancement: | Individual series of bonds will be secured by direct-pay letters of credit from Bank of America, N.A., Wells Fargo Bank N.A. and Allied Irish Bank p.l.c. |
| Credit Rating: | |

| Rating Agency | Bank of America | Wells Fargo Bank | Allied Irish Bank |
|---------------------------|-----------------|------------------|-------------------|
| Standard and Poor's | AA+/A-1+ | AAA/A-1+ | A+/A-1 |
| Moody's Investors Service | AAA/P-1 | Aaa/P-1 | Aa2/VMIG1 |
| Fitch | AA/F1+ | AA/F1+ | AA-/F1+ |

| | | | |
|-------------------------------------|----------------------|----------------------------------|----------------------|
| Total Est. Sources of Funds: | | Total Est. Uses of Funds: | |
| 2008 Bond Proceeds | \$250,000,000 | Refund 2004 Bonds | \$185,000,000 |
| Debt Service Reserve Fund | 20,000,000 | Refund 2007 Bonds | 80,000,000 |
| | | Cost of Issuance | 5,000,000 |
| TOTAL SOURCES | \$270,000,000 | TOTAL USES | \$270,000,000 |

Financing Team:

| | |
|-------------------------------|--|
| Bond Counsel: | Stradling, Yocca, Carlson & Rauth |
| Underwriters: | Banc of America Securities LLC and Wells Fargo Institutional Securities, LLC |
| Underwriter's Counsel: | Orrick, Herrington & Sutcliffe |
| Trustee: | Union Bank of California, N.A. |

Staff Recommendation:

Staff recommends approval of Resolution 08-19 for an amount not to exceed \$250,000,000 for the Orange County Performing Arts Center.

ISSUE

The Orange County Performing Arts Center (OCPAC) requests to: refund both the California Infrastructure and Economic Development Bank (I-Bank) Variable Rate Revenue Bonds, Series 2004A, 2004B and 2004C (2004 Bonds) and I-Bank Variable Rate Revenue Bonds, Series 2007A and 2007B (2007 Bonds) that were previously issued as auction rate securities (ARS) on July 8, 2004 and March 26, 2007, respectively; and, issue new variable rate demand bonds (2008 Bonds) backed by direct-pay letters of credit in an amount not to exceed \$250,000,000.

Due to recent events in the sub-prime mortgage market, the credit rating of Financial Guaranty Insurance Company (FGIC), the bond insurer of the 2004 Bonds and the 2007 Bonds, was downgraded in March 2008 to BB by Standard and Poor's (S&P) and BBB by Fitch. Additionally the ARS market has been severely damaged due to credit risk problems related to the subprime mortgage market that is currently impacting the entire bond insurance industry. As a result of the recent insurer rating downgrades and failures of 2004 Bonds and 2007 Bonds auctions, the auction rates on the 2004 Bonds and the 2007 Bonds have reset as high as 7.5% resulting in substantially higher borrowing costs for OCPAC.

DISCUSSION

The 2004 Bonds and the 2007 Bonds were issued to finance the construction, equipping and furnishing of improvements to the Orange County Performing Arts Center consisting of: the Renée and Henry Segerstrom Concert Hall, with a capacity of approximately 2,000 seats; the Samueli Theater, with a capacity of approximately 500 seats; an education center; a public restaurant; a private donor room; rehearsal spaces; artist accommodations; a pedestrian plaza; and related and appurtenant facilities (Project) (see Appendix A—previous Staff Report dated February 27, 2007 for a complete description of the Project and the 2007 Bonds and Appendix B—previous Staff Report dated June 22, 2004 for a complete description of the Project and the 2004 Bonds). The Project began construction in February 2003, opened for performances in September 2006 and was completed in March 2007.

OCPAC is now requesting approval for the issuance and sale of tax-exempt 501(c)(3) variable rate revenue bonds backed by a letters of credit in an amount not to exceed \$250,000,000. The 2008 Bond proceeds will be used to: (i) refund the 2004 Bonds, (ii) refund the 2007 Bonds; and (iii) pay costs of issuance. Payment of principal and interest on the 2008 Bonds will be supported by three direct-pay letters of credit from Bank of America, N.A., Wells Fargo Bank N.A. and Allied Irish Bank p.l.c. (LOC Banks). The 2008 Bonds are expected to carry ratings in one of the three highest rating categories of Moody's Investors Service (Moody's), Fitch or S&P (see Executive Summary for current ratings of the LOC Banks). A Tax Equity and Fiscal Responsibility Act hearing is not required for the 2008 Bonds.

A list of the current Board of Directors and Corporate Officers are listed in Appendix C.

In no event shall the 2008 Bonds constitute a pledge of the full faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to

make any appropriation for the repayment of the 2008 Bonds. The 2008 Bonds shall constitute a special obligation of the I-Bank payable solely from revenues or other sources provided for in a loan agreement between the I-Bank and OCPAC.

PUBLIC BENEFITS

OCPAC continues to provide the public benefits identified in the 2007 Staff Report.

OCPAC anticipates that the refunding of the 2004 and 2007 Bonds from auction rate securities insured by FGIC, to daily and weekly variable rate revenue bonds secured by direct-pay letters of credit will save an estimated \$1 million per month based upon current market rates.

RECOMMENDATION

Staff recommends adoption of Resolution 08-19, for an amount not to exceed \$250,000,000 for the Orange County Performing Arts Center.

APPENDIX A

Staff Report from the February 27, 2007 Board Meeting

APPENDIX A

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank) 501(c)(3) REVENUE BOND FINANCING PROGRAM

STAFF REPORT

| EXECUTIVE SUMMARY | | | |
|--|---|---|----------------------------|
| Applicant: | Orange County Performing Arts Center (The Center or Borrower) | Amount Requested: | Not to exceed \$95,000,000 |
| | | Type of Resolution: | Final |
| Applicant Description: | A nonprofit public benefit corporation organized for the purpose of promoting and developing an interest in and appreciation for arts and music. | Date of Board Meeting: | February 27, 2007 |
| | | Resolution Number: | 07-05 |
| Project Site: | 615 Town Center Drive, Costa Mesa, CA 92626, which is located near the southwest corner of the intersection of Town Center Drive and Avenue of the Arts in the City of Costa Mesa. | Prepared by: Barbara Lewis | |
| Project Description: | The project (Project) includes the construction, equipping and furnishing of improvements to the Orange County Performing Arts Center consisting of: the Renée and Henry Segerstrom Concert Hall, with a capacity of approximately 2,000 seats; the Samueli Theater, with a capacity of approximately 500 seats; an education center; a public restaurant; a private donor room; rehearsal spaces; artist accommodations; a pedestrian plaza; and related and appurtenant facilities. The Project began construction in February 2003 and was partially financed with \$180 million in bonds issued by the I-Bank in 2004. The Project was open for performances in September 2006. Finish work and landscaping remains to be completed for a pedestrian plaza. | | |
| Uses of Bond Proceeds: | Bond proceeds (2007 Bonds) will be used to finance the final costs of the Project, to fund a debt service reserve fund and pay the costs of issuance incurred in connection with the issuance and sale of the 2007 Bonds. | | |
| Public Benefits: | The addition of the 2,000-seat Renée and Henry Segerstrom Concert Hall and the 500-seat Samueli Theatre will create an arts complex of international significance that will serve the citizens of Orange County and southern California for generations. The Center's education programs currently reach more than 350,000 young people in seven California counties each year. With the completion of the Project, it is anticipated that The Center's education programs will serve an additional 650,000 young people each year. | | |
| Financing Structure: | | | |
| Type of Issue: | | Publicly-offered auction rate securities. 2007 Bonds will be issued in minimum denominations of \$25,000 or integral multiples thereof. | |
| Tax Status: | | Tax-exempt 501(c)(3) bonds. | |
| Term: | | 27 years. | |
| Credit Enhancement: | | Bond insurance from Financial Guaranty Insurance Company (FGIC). | |
| Credit Rating: | | "AAA" rating from Standard & Poor's Ratings Service, based on FGIC's credit rating. | |
| Est. Sources of Funds: | | Est. Uses of Funds: | |
| Par amount of the bonds | | Project Costs | \$83,696,888 |
| | | Debt Service Reserve Fund | 7,850,574 |
| | | Bond Insurance | 2,451,788 |
| | | Costs of Issuance | 1,000,750 |
| TOTAL SOURCES | | TOTAL USES | \$95,000,000 |
| Financing Team: | | | |
| Bond Counsel: | | Stradling, Yocca, Carlson & Rauth | |
| Underwriter's Counsel: | | Orrick, Herrington & Sutcliffe LLP | |
| Underwriter: | | Banc of America Securities LLC | |
| Trustee: | | Wells Fargo Bank, National Association | |
| Staff Recommendation: | | | |
| Staff recommends approval of Resolution 07-05 for an amount not to exceed \$95,000,000 for the Orange County Performing Arts Center. | | | |

APPENDIX A

BACKGROUND AND HISTORY

The Orange County Performing Arts Center (The Center or Borrower) is a California nonprofit public benefit corporation that was incorporated in 1973 for the purpose of promoting and developing an interest in and appreciation for arts and music. Located in Costa Mesa, California, The Center is Orange County's largest nonprofit performing arts organization and one of the region's most prominent cultural institutions known for the award-winning architecture and acoustics of its facilities, as well as for the quality of its performances. The Center's facilities, inclusive of the Project (see Project Description section below and Appendix C – Project Pictures), consist of the 3,000-seat Segerstrom Hall, the 300-seat Founders Hall, the 2,000-seat Renée and Henry Segerstrom Concert Hall, the 500-seat Samueli Theater, an education center, rehearsal rooms, administration offices and a public restaurant.

In the late 1960s, a number of Orange County community leaders decided it was time for the community to have a world-class performing arts venue. The region's population had grown dramatically in the preceding decades, the area became a magnet and the headquarters for many growing businesses, and major educational institutions were being established. Two of the county's existing artistic organizations - the Philharmonic Society of Orange County and the Pacific Symphony - needed a concert hall with seating and acoustics not only appropriate to their needs and the caliber of their performances, but also to create a setting in which to grow and achieve greater prestige and national recognition.

The first local group to facilitate the building of a major cultural center in the heart of Orange County wasn't formed until 1969. Over the years, several groups attempted to identify a suitable site, but it wasn't until February 1979, that Elaine Redfield, a longtime Orange County arts activist and South Coast Repertory (SCR) Trustee, identified a plot of land adjacent to SCR's recently opened Fourth Step Theater as an ideal location for the planned facility. Ms. Redfield sent a letter to Henry T. Segerstrom requesting the land, and on May 15, 1979, Ruth Segerstrom, Henry T. Segerstrom and Harold Segerstrom gifted the five-acre plot of prime real estate to the Orange County Music Center. In 1981, the facility's name was officially changed from the Orange County Music Center to the Orange County Performing Arts Center. Architectural plans were unveiled soon after, and C.L. Peck, Contractor, announced that it would build The Center's original facilities, Segerstrom and Founders Halls, without profit at a guaranteed maximum cost.

Groundbreaking for Segerstrom Hall took place on July 7, 1983, and a gala opening was held on September 29, 1986. This facility was considered at the time to be one of the nation's most innovative and technically advanced homes for the performing arts. It soon became clear, however, with Segerstrom Hall booked for performances, rehearsals, load-ins and load-outs or maintenance nearly every day of the year, that plans for additional venues were needed.

In 1999, the Segerstrom family deeded another six-acre parcel of land across the street from the existing facility to The Center in order to provide space for expansion of the SCR, The Center's new venues and the eventual building of a visual arts campus (see Project Description section below). In 2000, Henry Segerstrom provided the \$40

APPENDIX A

million lead gift to the capital campaign for the Project, which consists of the Renée and Henry Segerstrom Concert Hall, the Samueli Music Theater and the education center, all of which were opened on October 31, 2006. In addition, the Project includes a donor room, rehearsal spaces, artist accommodations and a public restaurant. These new facilities increased the overall seating capacity for The Center by approximately 75 percent.

The Center's facilities, including the Project, are utilized for a variety of purposes:

Presentations by The Center. The Center's programming is noted for its international caliber and variety. The Center's programming includes the International Dance, Broadway, Concert, Jazz Club, Cabaret, Family and Curtain Call Series. The Center's International Dance Series has brought many ballet companies to Orange County, including the Kirov, Bolshoi, Paris Opera Ballet, American Ballet Theatre, New York City Ballet, The Royal Ballet, Stuttgart Ballet and Royal Danish Ballet. The Center also presents an annual Broadway Series which has included *The Phantom of the Opera*, *Mamma Mia!*, *Les Misérables* and Disney's *Beauty and the Beast*. The Concert Series brings classical chamber ensembles and soloists to The Center including the Emerson String Quartet, St. Lawrence String Quartet, Australian Chamber Orchestra and the Academy of Ancient Music. The Jazz Club and Cabaret Series have also brought many contemporary musicians to The Center, including Dave Brubeck, Dianne Reeves, Diana Krall, Arturo Sandoval, Barbara Cook, Eartha Kitt and Davis Gaines. The Family Series offers parents and youngsters the opportunity to experience live theater, dance and music together. The Curtain Call Series is a one-week series or add-on to the Broadway Series offering performances by a wide variety of lesser-known performers. In addition to its series programming, The Center also hosts numerous special events and concerts.

Presentations by Others at Center Facilities. The Pacific Symphony, Opera Pacific, the Philharmonic Society of Orange County and the Pacific Chorale are "Artistic Partners" of The Center and use The Center's facilities for their performances. With the completion of the Project, each organization is able to increase its performance offerings in addition to increasing educational opportunities for schools and community organizations in southern California.

Education and Community Programs. The Center's education department has ten different programs that each year serve more than 350,000 young people in seven California counties. Programs are designed to bring students from grammar school through the university level into contact with many different performing arts disciplines and a variety of professional artists. Some programs are taught to students in their schools and at community centers, while other programs allow participants to study and perform at The Center's facilities. The Center's educational programs have been recognized by the U.S. Department of Education and The Kennedy Center in Washington, D.C.

APPENDIX A

GOVERNANCE AND MANAGEMENT

Board of Directors. The Center is currently governed by a 57-member Board of Directors (Board), which establishes policies, oversees their implementation, provides strategic direction to The Center and carries out its fiduciary responsibilities. The Bylaws provide that the Board shall be comprised of not less than 23 nor more than 60 directors. The Executive Committee of the Board meets bi-monthly and has the authority to act in all matters of governance assigned by the Board except for certain matters specified in the Bylaws or California law that cannot be delegated. The members of The Center elect directors to the Board for terms not to exceed three years. Additionally, the Board may elect directors to the Board but, in no event, shall the number of directors elected by the Board exceed one-third of the authorized number of directors. See Appendix A for a current listing of the Board of Directors.

Management. The President, who is selected by the Board, manages the operation of The Center. The President is responsible for the overall supervision of The Center's activities and oversees a staff of 112 full-time and approximately 400 part-time employees.

The President reports directly to the Board and its Executive Committee. The executive staff of The Center also interfaces directly with the Board through Board committees and by attendance and participation in Board and Executive Committee meetings. In addition to the executive staff, there are five departments: Programming, Development, Finance, Theater Operations & Facilities and Communication & Marketing. A list of The Center's executive staff is included in Appendix B.

PROJECT DESCRIPTION

In 2004, the I-Bank issued \$180,000,000 aggregate principal amount of its Variable Rate Revenue Bonds (Orange County Performing Arts Center), Series 2004A, Series 2004B and Series 2004C (collectively, the 2004 Bonds). A portion of the proceeds of the 2004 Bonds were used to construct, furnish and equip a 2,000-seat concert hall named the Renée and Henry Segerstrom Concert Hall and a 500-seat music hall named the Samueli Music Theater (Project). These two new facilities increased the seating capacity of The Center's performance spaces approximately 75 percent, to 5,800 seats. The proceeds of the 2004 Bonds were also used to construct, furnish and equip other spaces within the facilities, including a donor room, rehearsal spaces, artist accommodations, an education center and a public restaurant.

A portion of the proceeds of the 2007 Bonds will be used to reimburse The Center for additional costs related to the Project as well as for the construction of a pedestrian plaza.

APPENDIX A

PUBLIC BENEFITS

The Project will greatly benefit Orange County residents and visitors through The Center's stellar live performances and entertainment. The Pacific Symphony, the Philharmonic Society of Orange County and the Pacific Chorale (three of The Center's Artistic Partners) each have a dedicated hall specifically designed for the unique acoustical requirements of concerts and recitals. As a direct result of the Project, Segerstrom Hall is now available for more Broadway shows, dance and opera. The Project has enabled The Center and its Artistic Partners to expand programming to include a wider variety of artists and companies who come to Orange County to perform and teach.

The Center offers one of the most active and acclaimed arts-in-education programs in the country and is committed to serving the needs of the entire community. The Center's education department has 10 different programs that currently serve more than 350,000 young people annually in seven California counties. The Center's educational programs have drawn praise from educators and school districts throughout California as well as awards and commendations from nationally recognized bodies including the U.S. Department of Education and The Kennedy Center in Washington, D.C.

With the completion of the Project's two new performance venues and dedicated education center and lab, The Center anticipates that eventually one million young people will be able to participate in Center-sponsored education programs each year. These programs are designed to bring students from grammar school through the university level into contact with many different disciplines of performing arts as well as seasoned, accomplished professional artists. Some programs are offered to students in their schools, and at community centers, while other programs allow participants to study and perform at The Center's own facilities.

Additionally, the Project has also resulted in the creation of approximately 25 full-time and up to 150 part-time jobs in areas such as marketing, finance, front of house, security and stage production, which represents an approximately 30% increase in The Center's staffing.

Beyond the significant economic impact that resulted from both the construction and the ongoing operational aspects of the Project, this dramatic increase in resources devoted to the performing arts will improve the quality of life for Orange County's growing population and many visitors each year.

PERMITS AND APPROVALS

The Project is structurally complete. As such, all permits and approvals have been obtained.

APPENDIX A

TEFRA HEARING AND LEGAL QUESTIONNAIRE

A Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing was held February 8, 2007, following public notices which were published in the *Sacramento Bee* and the *Orange County Register*. No written or oral comments were received prior to, during, or following the hearing, and staff is not aware of any negative aspects or opposition to the proposed financing.

The Borrower has provided a completed and signed legal questionnaire. No information was disclosed in the answers to the legal questionnaire that would lead staff to question the financial viability or legal integrity of the Borrower or the Project.

FINANCING TEAM

| | |
|------------------------|--|
| Bond Counsel: | Stradling, Yocca, Carlson & Rauth |
| Underwriter's Counsel: | Orrick, Herrington & Sutcliffe LLP |
| Underwriter: | Banc of America Securities LLC |
| Trustee: | Wells Fargo Bank, National Association |

FINANCING DETAILS

The Center is requesting approval for the issuance and sale of tax-exempt auction rate securities (2007 Bonds) in an amount not to exceed \$95,000,000. The 2007 Bonds will be credit enhanced by a bond insurance policy provided by Financial Guaranty Insurance Company (FGIC). The 2007 Bonds will carry a rating of "AAA" from Standard & Poor's Ratings Service based upon FGIC's credit rating.

In no event shall the 2007 Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the 2007 Bonds. The 2007 Bonds shall constitute a special obligation of the I-Bank, payable solely from revenues or other sources provided for in a Loan Agreement between the I-Bank and the Center (Loan Agreement).

ELIGIBILITY REVIEW

The proposed financing meets the following public interest criteria as required by Section 63046 of the Government Code: 1) the financing is for a project in the State of California; 2) based upon the requirement that bond insurance will secure all payments to Bondholders, the Borrower is capable of meeting the obligations incurred under relevant agreements; 3) the payments to be made by the Borrower to the I-Bank under the Loan Agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the payments on the 2007 Bonds; and, 4) the proposed financing is appropriate for the Project. Additionally, the Project is

APPENDIX A

consistent with the I-Bank's Policies and Procedures for Conduit Revenue Bond Financing.

RECOMMENDATION

Staff recommends approval of Resolution 07-05, for an amount not to exceed \$95,000,000, for the Orange County Performing Arts Center.

APPENDIX A

APPENDIX A

ORANGE COUNTY PERFORMING ARTS CENTER BOARD OF DIRECTORS

Board of Directors

Michael S. Gordon, *Chairman of the Board*

Terrence W. Dwyer, *President and COO, Orange County Performing Arts Center*

Thomas V. McKernan, *Secretary & Vice Chair, Board Development*

John R. Evans, *Treasurer & Vice Chair, Finance*

Executive Committee

Anthony A. Allen,
Vice Chair, Facilities

David P. Collins,
Vice Chair, Development

Sally S. Crockett,
Vice Chair, Donor Relations

Sandra Segerstrom Daniels,
Vice Chair, Support Groups

Terrence W. Dwyer,
Member at Large

John R. Evans,
Finance

Paul F. Folino,
Member at Large

John C. Garrett,
Vice Chair, Audit

Jeanne P. Jackson,
Vice Chair, Marketing

Roger T. Kirwan,
Vice Chair, Capital Campaign

General William Lyon
Member at Large

Thomas V. McKernan, Jr.,
Member at Large (Board Development)

David G. Moore,
Member at Large

Patricia L. Poss,
Member at Large

David J. Schramm,
Vice Chair, Development

Henry T. Segerstrom,
Vice Chair, Capital Campaign

David H. Troob,
Vice Chair, Arts Partners

Carol L. Wilken,
Vice Chair, Education

Directors

Wylie A. Aitken

James A. Driscoll

Jerry E. Mandel,
Ph.D.

Robert L. Santos

Zelma M. Allred

Benjamin R. Du

Gregory J. Mech

Donald E. Sodaro

Julia A. Argyros

Lawrence N. Fisher

Paul Merage

Sheila Prell

Joan F. Beall

Robert J. Follman

Thomas J. Mitchell

Timothy L. Strader

David E. Blackford

Stephen T. Fry

Brad A. Morrice

R. David Threshie

Kim P. Burdick

Lawrence M. Higby

Rick J. Muth

Gary S. Toyama

Sandra Cavanaugh

David D. Hiller

Thomas H. Nielsen

Dan Werbin

Lisa Kirk-Colburn

Rick E. Keller, Jr.

William H. Roberts

Jane Fujishige Yada

Theodore F. Craver, Jr.

Parker S. Kennedy

Mark P. Robinson, Jr.

Louise A. Delmonico,
Ph.D.

Thomas E. Larkin, Jr.

Robert S. Roth

APPENDIX A

APPENDIX B

ORANGE COUNTY PERFORMING ARTS CENTER EXECUTIVE STAFF

Terrence W. Dwyer, *President*

Judith O'Dea Morr, *Executive Vice President – Programming*

Brian L. Finck, *Chief Financial Officer*

Ellery Brown, *Vice President of Theater Operations and Facilities*

Todd Bentjen, *Vice President of Marketing and Communications*

J. Terry Jones, *Vice President of Development*

APPENDIX A

APPENDIX C –PROJECT PICTURES



Renée and Henry Segerstrom Concert Hall



The Donor Room of the

APPENDIX A

Renée and Henry Segerstrom Concert Hall



Samueli Theater

APPENDIX B

Staff Report from the June 22, 2004 Board Meeting

APPENDIX B
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank)
501(c)(3) REVENUE BOND FINANCING PROGRAM

STAFF REPORT

| EXECUTIVE SUMMARY | | | |
|---|--|---|--------------------------------------|
| Applicant: | The Orange County Performing Arts Center ("The Center"). | Amount Requested: | Not to exceed \$180,000,000 |
| | | Type of Resolution: | Final |
| Applicant Description: | A nonprofit public benefit corporation organized for the purpose of promoting and developing an interest in, and appreciation for, arts and music. | Date of Board Meeting: | June 22, 2004 |
| | | Resolution No.: | 04-22 |
| | | Prepared by: Jeff Emanuels | |
| Project Site: | 615 Town Center Drive, Costa Mesa, CA 92626 | | |
| Uses of Bond Proceeds: | Bond proceeds will be used to: (i) finance the construction, equipping and furnishing of certain improvements for The Center, consisting of a concert hall, music theatre; an education center; a public restaurant; a private donor room; rehearsal spaces; artist accommodations; and related appurtenant facilities, (ii) fund a debt service reserve fund, (iii) fund capitalized interest, and (iv) pay the costs of issuance incurred in connection with the issuance and sale of the bonds. | | |
| Public Benefits: | The addition of the 2000 seat Renée and Henry Segerstrom Concert Hall and the 500 seat Samueli Theatre will create an arts complex of international significance that will serve the citizens of Orange County and southern California for generations. Additionally, once the project is completed, it is anticipated that an additional 650,000 young people will be able to participate in a Center-sponsored education initiative each year. | | |
| Financing Structure: | | | |
| Type of Issue: | | Publicly-offered auction rate securities. Bonds will be issued in minimum denominations of \$25,000 or integral multiples thereof. | |
| Tax Status: | | Tax-exempt 501(c)(3) bonds. | |
| Term: | | 30 years. | |
| Credit Enhancement: | | Bond insurance from Financial Guaranty Insurance Company ("FGIC"). | |
| Credit Rating: | | "AAA" rating from Standard & Poor's Ratings Service and Fitch Ratings, based on FGIC's credit rating. The bonds also received an underlying rating of "A" from Standard & Poor's. | |
| Est. Sources of Funds: | | Est. Uses of Funds: | |
| Par amount of the bonds | | \$180,000,000 | Project Costs \$140,886,366 |
| | | | Capitalized Interest 17,285,136 |
| | | | Debt Service Reserve Fund 13,932,239 |
| | | | Bond Insurance 5,640,710 |
| | | | Costs of Issuance 2,255,549 |
| TOTAL SOURCES | | \$180,000,000 | TOTAL USES \$180,000,000 |
| Financing Team: | | | |
| Bond Counsel: | | Stradling, Yocca, Carlson & Rauth | |
| Underwriter's Counsel: | | Orrick, Herrington & Sutcliffe LLP | |
| Underwriter: | | Banc of America Securities LLC & Citigroup Global Markets, Inc. | |
| Trustee: | | Wells Fargo Bank, National Association | |
| Staff Recommendation: | | | |
| Staff recommends approval of Resolution 04-22 for an amount not to exceed \$180,000,000 for the Orange County Performing Arts Center. | | | |

APPENDIX B

BACKGROUND AND HISTORY

The Orange County Performing Arts Center ("The Center") is a California nonprofit public benefit corporation that was incorporated in 1973 for the purpose of promoting and developing an interest in, and appreciation for, arts and music. The roots of The Center reach back more than 45 years, when the newly formed Orange County Philharmonic Society (later renamed the Philharmonic Society of Orange County) identified a pressing need for a versatile concert facility in Orange County.

The first local group specifically intended to facilitate the building of a major cultural center in the heart of Orange County wasn't formed until 1969. Over the years, several groups attempted to identify a suitable site for what now serves as the foundation for The Center. In February 1979, Elaine Redfield, a longtime Orange County arts activist and South Coast Repertory Trustee, addressed a letter to Henry T. Segerstrom requesting the land adjacent to South Coast Repertory's ("SCR") recently opened Fourth Step Theater. The Segerstrom family had already demonstrated their firm commitment to the arts in Orange County by donating the land for SCR's new theatre and were determined that the arts would play an integral role in helping the community establish its cultural identity. On May 15, 1979, the Board of Directors of the Orange County Music Center (as the facility was then called) accepted the Segerstrom family's generous offer of five acres of land for the proposed facility. The following week, at a press conference to announce the donation, the Segerstrom family took the lead in funding the new project by announcing an additional \$1 million cash pledge to be used for the design and construction of the new hall.

Decades of planning finally came to fruition on September 29, 1986, when Segerstrom Hall, one of the nation's most acoustically innovative and technically advanced homes for the performing arts, opened its doors with a gala opening night extravaganza featuring soprano Leontyne Price and the Los Angeles Philharmonic. But the vision for The Center was never to be limited to two venues, and even as it opened, it became clear that both halls were busy with Center-presented events and performances from the Pacific Symphony, the Philharmonic Society of Orange County, Opera Pacific, Pacific Chorale and other organizations from throughout Southern California. With the current facility booked for performances, rehearsals, load-ins and load-outs or maintenance nearly every day of the year, it was obvious that plans for additional venues were needed.

In 1999, the Segerstrom family deeded a six-acre parcel of land across the street from the existing facility to The Center in order to provide space for expansion of SCR, The Center's new venues, and the eventual building of a visual arts campus. The entire complex will be named the Segerstrom Center for the Arts. In 2000, Henry Segerstrom provided the \$40 million lead gift to the capital campaign for the new venue.

The current facilities are utilized for a variety of purposes:

Presentations by The Center. The Center's programming is noted for its international caliber and variety. The Center's programming includes the following Series: International Dance, Broadway, Concert, Voices in Song and Jazz Club and Cabaret. The Center's International Dance Series has brought many ballet companies to Orange County, including the Kirov, Bolshoi, Paris Opera Ballet, American Ballet Theatre, New York City Ballet, The Royal Ballet, Stuttgart Ballet and Royal Danish Ballet. The Center also presents an annual Broadway Series₂ that has included *The Phantom of the*

APPENDIX B

Opera, Mamma Mia and Les Miserables. The Concert Series brings classical chamber ensembles and soloists to The Center including the Emerson String Quartet, St. Lawrence String Quartet, Australian Chamber Orchestra and the Academy of Ancient Music. The Jazz Club and Cabaret Series has brought many contemporary musicians to The Center, including Dave Brubeck, Dianne Reeves, Diana Krall, Arturo Sandoval, Barbara Cook, Eartha Kitt and Davis Gaines. In addition to its Series programming, The Center also hosts numerous special events and concerts.

Presentations by Others at Center Facilities. The Pacific Symphony, Opera Pacific, the Philharmonic Society of Orange County and the Pacific Chorale are “Artistic Partners” of The Center and use The Center’s facilities for their performances. With the completion of the new facilities, each organization will be able to increase its educational opportunities for schools and community organizations in southern California.

Education and Community Programs. The Center’s education department has ten different programs that each year reaches more than 350,000 people in seven California counties. Programs are designed to bring students from grammar school through the university level into contact with many different disciplines of performing arts and professional artists. Some programs reach students in their schools, campuses and community centers while others bring participants to study and perform at The Center’s facilities. The Center’s educational programs have been recognized by the U.S. Department of Education and The Kennedy Center in Washington, D.C.

GOVERNANCE AND MANAGEMENT

Board of Directors

The Center is currently governed by a 54-member Board of Directors (the “Board”), which establishes policies, oversees their implementation, provides strategic direction to The Center and carries out its fiduciary responsibilities. The Executive Committee of the Board meets bi-monthly and has the authority to act in all matters of governance assigned to the Board except for certain matters specified in the Bylaws that cannot be delegated and other matters that cannot be delegated pursuant to California law. All but the twelve *Ex Officio* members of the Board are elected by the members of The Center for terms not to exceed three years; provided, however, the Board may elect members of the Board but, in no event, shall the number of members of the Board elected by the Board exceed one-third of the authorized number of Directors. See Appendix A for a current listing of the Board of Directors.

Management

APPENDIX B

The President, who is selected by the Board, manages the operation of The Center. The President is responsible for the overall supervision of The Center's activities and oversees a staff of 250 (full-time equivalent) employees.

The President reports directly to the Board and its Executive Committee. The Executive Staff of The Center also interfaces directly with the Board through Board committees and by attendance and participation in Board and Executive Committee meetings. In addition to the Executive Staff, the staff structure consists of the following five departments: Programming, Development, Finance, Theater Operations & Facilities and Communication & Marketing. A list of The Center's Executive Staff is included in Appendix B.

PROJECT DESCRIPTION

The Center's current facilities consist of the 3,000-seat Segerstrom Hall and the 500-seat Founder's Hall located in Costa Mesa, California. To increase the number of performances it can accommodate and increase educational opportunities, The Center is implementing additions to its current facilities consisting of the 2,000-seat Renée and Henry Segerstrom Concert Hall, the 500 seat Samueli Music Theater and an education center (collectively, the "New Facilities"). The New Facilities, which were designed by Cesar Pelli, one of the world's signature architects, will increase overall seating capacity for The Center by approximately 75 percent. Construction of the New Facilities began in September 2003. See Appendix C for an artist's rendition of the Renée and Henry Segerstrom Concert Hall and the Samueli Theatre.

The Center has entered into a lump-sum contract with the Fluor Corporation, which will act as construction manager for the expansion. The lump-sum contract provides a corporate guarantee that the project will be built within budget. As construction manager, Fluor will pre-qualify subcontractors and suppliers and manage those selected in accordance with the specifications provided by the architects and The Center.

PUBLIC BENEFITS

The new concert hall will greatly affect all Orange County residents and visitors who love the best in live performing arts and entertainment. The Pacific Symphony, the Philharmonic Society of Orange County and the Pacific Chorale (the Artistic Partners) will have a dedicated hall specifically designed for the unique acoustical requirements of concerts and recitals. As a direct result of the project, Segerstrom Hall will become available for more Broadway shows, dance and operatic presentations. The Center and its Artistic Partners will be able to expand their programming and increase the variety of artists and companies who come to Orange County. Each organization will be able to increase its educational opportunities, reaching children from schools and community organizations for throughout the region.

APPENDIX B

The Center offers one of the most active and acclaimed arts-in-education programs in the country and is committed to serving the needs of the entire community. The Center's achievements in this area have drawn praise from educators and school districts throughout California as well as awards and commendations from nationally recognized bodies including the U.S. Department of Education and The Kennedy Center in Washington, D.C.

The Center's education department has 10 different programs that reach more than 350,000 young people annually, in seven California counties. Once the new facilities are completed, which along with two new performance venues will also include a dedicated education center and lab, The Center management anticipates that one million young people will be able to participate in a Center-sponsored education initiative each year. These programs are designed on different levels to bring students from grammar school through the university level into contact with many different disciplines of performing arts and seasoned, accomplished professional artists. Some programs will reach students in their schools, campuses and community centers, while others bring participants to study and perform at The Center's own facilities.

The new facility will provide for the growth of The Center for years to come. The Center management believes the project will enable The Center staff to grow from its current base of approximately 250 employees (on a full-time equivalent basis) to approximately 350 within two years of project completion, and provide for an increase in total annual payroll from approximately \$6 million to an estimated \$7.5 million in 2008.

In addition to the long-term public benefits being provided by the proposed bond financing, the project will contribute significant number of construction jobs and corresponding payroll during the construction of the facilities, which will provide an economic stimulus to the region.

PERMITS AND APPROVALS

The borrower has confirmed that the project meets all land use and zoning ordinances and that all necessary local approvals and discretionary permits have been obtained.

Construction for the project commenced February 2003 and the last of the 1,400 basement pilings were placed a few months ago. It is expected that the facility will be available for performances in July 2006, in time to celebrate the 20th anniversary of The Center's opening.

APPENDIX B

TEFRA HEARING AND LEGAL QUESTIONNAIRE

A Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing was originally scheduled for Friday, June 11, 2004, following notices published on May 28, 2004 in papers of general circulation within Orange County and Sacramento County. However, the hearing was not held since the building in which the hearing was to take place was closed to the public after Governor Schwarzenegger issued a proclamation declaring June 11th as a day of remembrance for the life of President Ronald Reagan. Although written and oral comments were solicited for this hearing, staff received no comments.

A second TEFRA hearing has been scheduled for Friday, June 25, 2004. Although there is no state or federal law or regulation requiring that a TEFRA hearing be held prior to the conduit issuer providing approval for a tax-exempt financing, it has been the practice of the I-Bank to do so. Since there is no indication of any negative aspects or public opposition to the proposed financing, staff is requesting that the Board of Directors adopt a final resolution approving the issuance of the bonds for The Center, subject to staff holding the new TEFRA hearing on June 25, 2004, and receiving no negative comments.

The Borrower has provided a completed and signed legal questionnaire. No information was disclosed in the answers to the legal questionnaire that would lead staff to question the financial viability or legal integrity of this Borrower.

FINANCING TEAM

| | |
|-------------------------------|--|
| Bond Counsel: | Stradling, Yocca, Carlson & Rauth |
| Underwriter's Counsel: | Orrick, Herrington & Sutcliffe LLP |
| Underwriter: | Banc of America Securities LLC and Citigroup Global Markets, Inc. |
| Trustee: | Wells Fargo Bank, National Association |

FINANCING DETAILS

The Center is requesting approval for the issuance and sale of tax-exempt auction rate securities (the "Bonds") in an amount not to exceed \$180,000,000. The Bonds will be credit enhanced by a bond insurance policy provided by Financial Guaranty Insurance Company (FGIC). The Bonds will carry a rating of "AAA" from Standard & Poor's and Fitch Ratings based upon FGIC's credit rating. The bonds received an underlying rating of "A" from Standard & Poor's.

APPENDIX B

In no event shall the Bonds constitute a pledge of the faith and credit of the State or any political corporation, subdivision or agency of the State, and neither the State nor any political corporation, subdivision or agency of the State shall be liable to make any appropriation for the repayment of the Bonds. The Bonds shall constitute a special obligation of the I-Bank, payable solely from revenues or other sources provided for in a Loan Agreement between the I-Bank and the Center.

ELIGIBILITY REVIEW

The proposed financing meets the following public interest criteria as required by Section 63046 of the Government Code: 1) The financing is for a project in the State of California; 2) based upon the requirement that bond insurance will secure all payments to bondholders, the borrower is capable of meeting the obligations incurred under relevant agreements; 3) the payments to be made by the borrower to the I-Bank under the Loan Agreement are adequate to pay the current expenses of the I-Bank in connection with the financing and to make all the payments on the bonds; 4) the proposed financing is appropriate for the specific project. Additionally, the project is consistent with I-Bank's Policies and Procedures for Conduit Revenue Bond Financing.

RECOMMENDATION

Staff recommends approval of Resolution 04-22, for an amount not to exceed \$180,000,000, for the Orange County Performing Arts Center.

APPENDIX A

ORANGE COUNTY PERFORMING ARTS CENTER BOARD OF DIRECTORS

Officers

Paul F. Folino, *Chairman of the Board*

Jerry E. Mandel, *President, Orange County Performing Arts Center*

Lawrence M. Higby, *Secretary & Vice Chair, Board Development*

John R. Evans, *Treasurer & Vice Chair, Finance*

APPENDIX B

Executive Committee

Anthony A. Allen,
Vice Chair, Facilities
 Sandra Segerstrom Daniels,
Vice Chair, Support Groups/Artistic Partners
 Benjamin R. Du,
Vice Chair, Donor Relations
 Robert J. Follman,
Vice Chair, Development
 John C. Garrett,
Member at Large
 Michael S. Gordon,
Vice Chair, Bond Financing
 Roger T. Kirwan,
Vice Chair, Capital Campaign
 Thomas V. McKernan, Jr.,
Member at Large
 David G. Moore,
Member at Large

Thomas H. Nielsen,
Vice Chair, Education
 Patricia L. Poss,
Member at Large
 David J. Schramm,
Vice Chair, Development
 Henry T. Segerstrom,
Vice Chair, Capital Campaign
 Dorothy B. Stillwell,
Vice Chair, Special Events
 Thomas T. Tierney,
Member at Large
 David H. Troob,
Vice Chair, Programming Council
 Timothy W. Weiss,
Vice Chair, Strategic Planning
 Carol L. Wilken,
Vice Chair, Education

Directors

| | | | |
|--------------------|-----------------------------|-----------------------|----------------------------|
| Zelma M. Allred | Ralph J. Cicerone, Ph.D. | Paul Merage | Carolyn Shea |
| Julia A. Argyros | Sally S. Crockett | Donald B. Murray | Sheila Prell Sonenshine |
| Joan F. Beall | Jeanne P. Jackson | Rick J. Muth | Timothy L. Strader |
| David E. Blackford | Rick E. Keller, Jr. | John P. Puerner | R. David Threshie |
| Alan L. Boeckmann | Parker S. Kennedy | William H. Roberts | Rosemary Turner |
| Kim P. Burdick | William A. Klein | Robert S. Roth | Dan Werbin |
| Timothy R. Busch | General William Lyon | Jan Salta | Jane Fujishige Yada |
| Joel Calvo | James R. Mellor | Nick Shahrestany | |

APPENDIX B

APPENDIX B

ORANGE COUNTY PERFORMING ARTS CENTER EXECUTIVE STAFF

Jerry E. Mandel, President.

Judith O'Dea Morr, Executive Vice President – Programming.

J. Terry Jones, Vice President of Development.

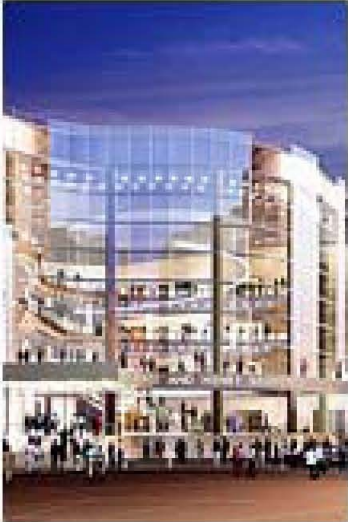
Brian L. Finck, Chief Financial

Kerry A. Madden, Vice President of Theater Operations and Facilities.

Todd Bentjen, Vice President of Marketing and Communications

APPENDIX B

APPENDIX C



Artist's rendition of the
proposed Renée and
Henry Segerstrom
Concert Hall



Artist's rendition of the
proposed Samueli Theatre

APPENDIX C

ORANGE COUNTY PERFORMING ARTS CENTER BOARD OF DIRECTORS

Board of Directors

Michael S. Gordon, *Chairman of the Board*
 Terrence W. Dwyer, *President and COO, Orange County Performing Arts Center*
 Thomas V. McKernan, *Secretary & Vice Chair, Board Development*
 John R. Evans, *Treasurer & Vice Chair, Finance*

Executive Committee

| | |
|---|--|
| Anthony A. Allen, <i>Vice Chair, Facilities</i> | John C. Garrett, <i>Vice Chair, Audit</i> |
| Joan F. Beall <i>Member at Large</i> | Roger T. Kirwan, <i>Vice Chair, Capital Campaign</i> |
| David P. Collins, <i>Vice Chair, Development</i> | Thomas E. Larkin, Jr., <i>Member at Large</i> |
| Sally S. Crockett, <i>Member at Large</i> | General William Lyon <i>Member at Large</i> |
| Sandra Sedgerstrom Daniels <i>Vice Chair, Support Groups</i> | Patricia L. Poss, <i>Member at Large</i> |
| James A. Driscoll, <i>Co-Chair, Long Range Planning</i> | Henry T. Segerstrom, <i>Member at Large</i> |
| Carol Baker Farkas, <i>Member at Large</i> | David H. Troob, <i>Vice Chair, Resident Companies</i> |
| Stephen T. Fry, <i>Vice Chair, Development</i> | Carol L. Wilken, <i>Vice Chair, Education</i> |

Directors

| | | | |
|-------------------------------|---------------------------|-----------------------|---------------------|
| Wylie A. Aitken | Robert J. Follman | Thomas J. Mitchell | David J. Schramm |
| Zelma M. Allred | Lawrence M. Higby | David G. Moore | Sheila Prell |
| Julia A. Argyros | David D. Hiller | Norman Morales | Sonenshine |
| David E. Blackford | Jeanne P. Jackson | Rick J. Muth | Timothy L. Strader |
| Kim P. Burdick | Michael Joseph | Thomas H. Nielsen | R. David Threshie |
| Sandra Cavanaugh | Parker S. Kennedy | William H. Roberts | Gary S. Toyama |
| Louise A. Delmonico, Ph.D. | Jerry E. Mandel, Ph.D. | Mark P. Robinson, Jr. | Jane Fujishige Yada |
| Benjamin R. Du | Paul Merage | Robert S. Roth | |

Corporate Officers

Terry Dwyer, President
 Brian L. Finck, Chief Financial Officer
 Judith O'Dea Morr, Executive Vice President - Programming
 Tom West, Vice President of Development
 Ellery Brown, Vice President of Theater Operations and Facilities
 Todd Bentjen, Vice President of Communications and Marketing